

Foreword

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Doing Business In Iraq A Construction Perspective

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Basic Country Data



- Location** : Iraq is located in the Middle East, between Iran and Saudi Arabia. Iraq is also bordered by Jordan and Syria to the west, Kuwait to the south, and Turkey to the north. A very small sliver of the Persian Gulf (58 kilometers, or 36.04 miles) abuts Iraq on its southeast border. With an area of 437,072 square kilometers (168,753 square miles), Iraq is slightly more than trice the size of West Malaysia. Iraq's capital city, Baghdad, is located in the center of the country. Other major cities include al-Basra in the south and Mosul in the north. Erbil is the capital of Kurdistan Regional Government.
- Area** : 438,317 sq. km.
- Land Area** : The land area covered is 437,367 square kilometers and 950 square kilometers is covered by water bodies.
- Population** : 30,399,572 (July 2011 est.) *(source from www.cia.gov)*
- Population Density** : 65 inhabitants per sq. km.
- Capital** : Baghdad
- Administrative Division** : 18 provinces or governorates (also known as muhafazat) and the autonomous Kurdistan.

18 governorates are as per table :

Al Anbar	Al Basrah	Al Muthanna	Al Qadisiyah	An Najaf	Arbil
As Sulaymaniyah	Babil	Baghdad	Dahuk	Dhi Qar	Diyala
Karbala	Kirkuk	Maysan	Ninawa	Salah ad Din	Wasit

(The governorates of Arbil, As Sulaymaniyah and Dahuk are part of the Kurdistan Regional Government)

- Time Zone** : GMT + 3 hours
(GMT + 4 hours in summer)
- Principal Languages** : Arabic (official), Kurdish (official in Kurdistan Regional Government), Turkoman (a Turkish dialect), Assyrian (Neo-Aramaic), Armenian

Principal Religions : Muslim 97% (Shia 60%-65%, Sunni 32%-37%), Christian or others 3% (*source from www.cia.gov*).

Education and Literacy : Iraq's literacy rate stands at 74.1 per cent

Female : 64.2 per cent

Male : 84.1 per cent (*source from www.cia.gov*)

Currency : Iraqi Dinar (IQD)

Measures : Metric system

Business Hours : Below are the business hours as per table. Please take note that during the holy month of Ramadan working hours are usually reduced.

Government	Offices 8:00 to 14:00 (Sat to Thu)
Banks	8:00 to 12:30 - to 12:00 Saturday
Shops & Malls	9:00 to 18:00 - to 17:00 in Summer
Private Sector	8:00 to 17:00 - with one or two hours lunch break

Credit Cards : Major credit cards, such as Visa, Master Card, Diners Club, and American Express, are accepted in large establishments throughout the country.

National Airlines : Iraqi Airlines is the national carrier of the Iraq. It has its main hub at Baghdad International Airport, originally known as Saddam International Airport which is located in a suburb about 16 km (10 miles) west of downtown Baghdad in the Baghdad Governorate.

Other Airlines : There is no direct flight to Iraq from Malaysia. The options to fly to Iraq from Malaysia are to fly from Amman, Dubai, Bahrain or Kuwait. Airlines that fly to Iraq are Turkish Airlines, Etihad Airways, Gulf Air, Royal Jordanian, Emirates.

Airport : Baghdad International Airport (originally Saddam International Airport) is also known as Al Anbar Airport (*source from <http://www.baghdad-airport.com>*).

- Railway Network** : Iraqi Republic Railways Company (IRR) is the national railway operator in Iraq. IRR comprises 2,272 kilometres of standard gauge of 1.435mm. IRR has one international interchange, with Chemins de Fer Syriens (CFS) at Rabiya. The system runs from Rabiya southward through Mosul, Bayji, and Baghdad to Basra, with a branch line from Shouaiba Junction (near Basra) to the ports of Khor Az Zubair and Umm Qasr, westward from Baghdad through Ramadi and Haqlaniya to Al Qaim and Husayba, with a branch line from Al Qaim to Akashat, and east-west from Haqlaniya through Bayji to Kirkuk (source from www.cia.gov and http://en.wikipedia.org/wiki/Iraqi_Republic_Railways).
- Road Network** : Roadways in Iraq is a total of 44,900 km. (84 percent are paved) (source from www.cia.gov)
- Ports and Harbours** : The major ports in Iraq are Al Basrah, Khawr az Zubayr, Mina Al Bakr and Umm Qasr (source from www.cia.gov)
- Exchange Rate** : RM 1 ~ 385.064 IQD
USD1 ~ 1,165.00 IQD
(source from [universal currency converter](http://universalcurrencyconverter.com) as of 13.04.2011)

Comparison with Malaysia

ITEM/COUNTRY	IRAQ	MALAYSIA
Population	30,399,572 (July 2011 est.)	28,728,607 (July 2011 est.)
Land Size	438,317 sq. km.	329,847 sq. km.
Reserves of Foreign Exchange and Gold	USD 45.68 billion (31 December 2010 est.)	USD 106.5 billion (31 December 2010 est.)
GDP – Per Capita	USD 3,600 (2010 est.)	USD 14,700 (2010 est.)
GDP – Real Growth Rate	11.5 % (2011 est.)	5.5 % (2011 est.)
Debt - External	USD 52.58 billion (31 December 2010 est.)	USD 72.6 billion (31 December 2010 est.)
Inflation (consumer prices)	5 % (2011 est.)	2.8 % (2011 est.)
Labour Force	8.5 million (2009 est.)	11.62 million (2010 est.)
Corruption Perception Index Ranking (2010) Out of 178 countries	175	56

Source from : www.cia.gov (info correct as at 3.01.2011), [en. wikipedia.org/wiki/ Corruption_Perception_Index 2010](http://en.wikipedia.org/wiki/Corruption_Perception_Index_2010) (info correct as at 01.12.2010) & [world economic outlook database www.imf.org](http://world_economic_outlook_database.www.imf.org). (info as 10.2.2011)

Iraq At A Glance

2.1 Geography & Climate

Iraq, a triangle of mountains, desert, and fertile river valley, is bounded on the east by Iran, on the north by Turkey, on the west by Syria and Jordan, and on the south by Saudi Arabia and Kuwait. It is slightly more than thrice the size of West Malaysia. The country has arid desert land west of the Euphrates, a broad central valley between the Euphrates and the Tigris, and mountains in the northeast.

Iraq's chief rivers are the Tigris, the Euphrates, and their combined outlet, the Shatt al Arab (River of the Arabs). Disastrous floods sometimes occur, especially with the melting of mountain snow in the spring. In southeastern Iraq is an area of marshlands.

Except for the relatively temperate Kurdistan highlands, Iraq has a tropical climate that ranks among the world's hottest and driest. During July and August daily temperatures usually rise above 38°C. and rarely fall below 27° Winters are normally mild, with temperatures averaging about 7°to 13°C during January. They seldom drop below freezing.

Summers are always dry. November to April is the rainy season, generally with 300 to 500 mm of precipitation in the north and less than 130mm in the south. The Kurdistan mountains receive more than 1,000mm.

2.2 History

The history Iraq (known as Mesopotamia in the early days) began with the civilization of the Sumerians, who emigrated from the highlands of Iran and northern Anatolia in about 3000 BC.

Two kingdoms, Sumer and Akkad, combined in about 2350 BC to form one nation under King Sargon of Akkad. In about 2000 BC the Amorites assumed control. Their king, Hammurabi, made Babylon a famous city, though he is best known for his code of laws. After his death came invasions by the Hittites and then by the Kassites, who formed the Kingdom of Assyria about 1350 BC.

The Kassites originally had their capital at Ashur, but they moved it in 720 BC to Nineveh, or Mosul. Various tribal invasions weakened the Assyrian empire during the next century, and the Chaldeans under King Nebuchadnezzar II rebuilt Babylon and ruled for 40 years. The Persian ruler Cyrus the Great invaded in 539 BC, and Persia ruled Babylonia until Alexander the Great's conquests in 331 BC. His successors, the Seleucids, ruled for 175 years, during which Greek cultural influences became paramount. Persian invasions under the Parthians and, later, the Sassanids established a new capital at Ctesiphon near the midpoint of the Tigris.

Persians constructed many irrigation systems and canals. A new era began with the Arab conquests in AD 637 when tribes from Arabia, bearing the message of Islam, conquered Mesopotamia. The early conquests outside Arabia by Muslim armies spread throughout the territory previously weakened by conflicts between the Sassanid Empire and the Byzantines to the west. The Muslims established their first dynasty, the Umayyad, with their capital at Damascus in Syria. By 750 conflicts over the succession of rulers and discord between Arab and Persian Muslims led to a change in rule, and the 'Abbasid dynasty in Iraq was established with its capital at Baghdad.

Iraq was conquered by the Ottoman Turks and after World War 1 was declared a “League of Nations” mandate under the United Kingdom. It attained its independence in 1932. It was proclaimed a ‘republic’ in 1958 and was ruled by “strongmen” till the fall of Saddam Hussein in 2003. In 2005 a Council of Representatives were appointed which was the prelude to parliamentary election and formation of the Coalition government in 2010.

2.3 Government

Iraq is a parliamentary democracy with a federal system of government. The 2005 Iraqi constitution guarantees basic rights. The executive branch consists of the Presidency Council (one president, two vice presidents) and a Council of Ministers (one prime minister, two deputy prime ministers, and 37 cabinet ministers). The president is the head of state, protecting the constitution and representing the sovereignty and unity of the state, while the prime minister is the direct executive authority and commander in chief. The president and vice presidents are elected by the Council of Representatives.

The prime minister is nominated by the largest bloc in the Council of Representatives. Upon designation, the prime minister names the members of his cabinet, the Council of Ministers, which is then approved by the Council of Representatives. The executive branch serves a 4-year term concurrent with that of the Council of Representatives. Iraq's legislative branch consists of an elected Council of Representatives (COR). After the 2005 elections, the Council of Representatives consisted of 275 members, each of whom was elected to a 4-year term of service. Following the March 7, 2010 elections the COR consists of 325 members to reflect an increase in the population of Iraq.

At least one-quarter of the members of the Council of Representatives must be female. The responsibilities of the Council of Representatives include enacting federal laws, monitoring the executive branch, and electing the president of the republic. Iraq's judicial branch is independent, and is under no authority but that of the law. The federal judicial authority is comprised of the Higher Judicial Council, Federal Supreme Court, Court of Cassation, Public Prosecution Department, Judiciary Oversight Commission, and other federal courts. The Higher Judicial Council supervises the affairs of the federal judiciary. The Federal Supreme Court has limited jurisdiction related to intra-governmental disputes and constitutional issues. The appellate courts appeal up to the Court of Cassation, the highest court of appeal. The establishment of the federal courts, their types, and methods for judicial appointments are set forth by laws enacted by the Council of Representatives.

Construction Outlook & Opportunities

3.1 The Construction Scenario

3.1.1 Reconstruction of Iraq

After the fall of Saddam's regime in March 2003, the transition government (The Coalition Provisional Authority) led by the USA government facilitated the reconstruction of war-ravaged Iraq. The post-conflict construction scenario was spearheaded by the United States Government-funded contracts, providing opportunities for leading U.S. and British companies mainly. The reconstruction of Iraq is mainly associated with rehabilitating the country's infrastructure. In October 2005, the transition government established a constitution with elections being held in January 2009 in all provinces except for the three provinces comprising the Kurdistan Regional Government and Kirkuk province.

The contracting opportunities for the reconstruction of Iraq are facilitated through five main tendering organizations, that is, (i) the Project and Contracting office (PCO), (ii) the U.S. Agency for International Development (USAID), (iii) the U.S. Army Corps of Engineers, (iv) Iraqi Ministries, and (v) International organizations such as the United Nations and the World bank. The Iraqi Reconstruction Management Office (IRMO) based within the U.S. coordinates the reconstruction programs amongst the various U.S. government agencies and the Iraqi government.

(i) The Iraqi Project and Contracting Office (PCO)

The Iraqi Project and Contracting Office (PCO) manages the USD18.4 billion approved by the U.S Congress to support that portion of the reconstruction efforts of the Iraqi infrastructures. The opportunities available under this program are restricted to the 63 coalition and troop-contributing countries. Details of programs and tenders are posted on the PCO website http://www.rebuilding_iraq.net.

(ii) The U.S. Agency for International Development (USAID)

The early role of the U.S. Agency for International Aid (USAID) was to restore critical infrastructure, support essential health and educational services and institutional strengthening of specific sectors such as infrastructure reconstruction, airport and seaport management and local governance.

(iii) The U.S. Army Corps of Engineers (USACE)

The role of the U.S. Army Corps of Engineers was to restore the capability for oil production, oil refining and gas processing to pre-war conditions.

(iv) Iraqi Ministry Contracts

Various Iraqis ministries issue tenders through the Iraqi Government budgets initially complementing the efforts of the coalition government. With the establishment of the full pledged Iraqi government in 2009, the various ministries have now mobilized towards an active role in the reconstruction and development of Iraq. The opportunities for Malaysian contractors to participate in Iraq are greater under the bids called by the Iraqi ministries. A detailed description of the opportunities will be discussed in the subsequent paragraphs.

(v) International Donors

The World Bank and the United Nation coordinates and manages the more than USD20 billion in loans and grants that was pledged by 73 countries and 20 international organizations to rebuild Iraq's economy. The International Reconstruction Fund Facility (IRRF) for Iraq was established to manage the funds. The focus of IRRF was on health, education, agriculture, water supply and sanitation, economic management and investment climate. Full details of current and potential tenders under the IRRF are available at its website, <http://www.uniraq.org/donors/irrfi.aspx> and also at www.ungm.org.

3.1.2 The 2011 Scenario

The leading construction opportunities in Iraq currently are in the public sector tenders that are being invited by the Iraqi government, ministries and stateowned enterprises. The U.S. government led Project and Contracting Office (PCO) and the international organizations are also tendering for a wide array of construction services in Iraq, but these opportunities are diminishing over time.

The post - 2003 reconstruction was dominated by large foreign builders who played a major role in rebuilding the Iraq's power and water facilities, bridges, roads, schools including ports and airports. The local contractors who began alongside the foreign contractors have still not built the capacity and capability to undertake large infrastructure projects on their own. These pool of contractors are now able to participate as joint venture partners for new major infrastructure projects.

Iraq, with 11% of the world's oil reserves, has the potential to become the world's 3rd biggest producer of crude oil next to Saudi Arabia and Iran. The oil revenue is without doubt the key driver of development in Iraq and its long term economic sustainability. The ambitious oil production targets demands considerable supporting infrastructure. The economy has shown promising signs of stability with successful policies limiting inflation and achieving high rates of annual growth. The GDP growth in 2010 was 2.5% and is expected to surpass 12.0% in 2011. Iraq's GDP in 2010 was USD82.2 billion and is expected to swell to USD115 billion in 2011. Growth in the Kurdistan Regional Government is targeted at 9%.

In 2010, the Government of Iraq launched its "National Development Plan 2010-2014. This USD100 billion plan sets out the government's priorities for broad-based growth, pursuing a strategy to gain foreign participation in joint ventures. The Iraqi government

has spent USD20 billion on reconstruction projects annually for the last two years. The National Investment Commission (NIC) announced in 2009 a USD70 billion infrastructure package that included a broad range of sectors with targets of USD25 billion for housing development, USD8 billion for transport and USD5.5 billion for the development of water resources and sewerage networks in Iraq.

Iraq has a population of 30 million people with a large base of skilled and professional people. After three decades of war and sanctions, Iraq has moved towards sustaining a stabilized economy and political stability. The “Arab Spring” revolutions that has swept through the Middle-East has coincided with a new-found sense of order in the country under the coalition government, offering the prospect of greater prosperity in Iraq today. Thus the planned upgrades and rehabilitation of existing infrastructures and new infrastructures offers great potentials for the construction industry sector in the country. It is estimated that USD186 billion on 2,700 projects would be spent for the next three years.

3.2 The Construction Opportunities

1. Most business opportunities at this time are in the energy and construction sectors followed by agricultural equipment, healthcare and transportation. Iraq’s construction potential is plentiful and will stretch for decades with oil field developments already agreed.

There is a priority to build 3.5 million new homes over the next 10 years and rehabilitate many buildings. Huge infrastructure renewal, water treatment and supply, new sewerage systems, roads, airports, rail systems and ports are largely the core constructional activities.

2. There will be prospects for firms with pioneering innovations and building technologies to participate in the rebuilding and development of Iraq’s urban environment. There is a strong focus on affordable housing projects.
3. Some of the provinces in Iraq have planned the development of large scale industrial areas. The industrial areas of Anbar, Thi Qar and Karbala when fully developed could involve billions of dollars of investment.
4. Wassit Province Investment Commission and the Ministry of Tourism have announced plans for a USD1 billion development of a 500,000 square metre tourist city near Kut and includes real estate, hotels, sports, leisure and entertainment areas.
5. The Basrah Sports City Complex that is under construction includes many other facilities besides the main stadium. The master plan also calls for a commercial district to be developed, including two 500 room hotels, four shopping malls and entertainment facilities.

The huge investment in infrastructure renewals and housing schemes has opened up opportunities for supply of building materials, plants and equipments.

6. Some of the other attention-grabbing construction projects wherein the new Iraqi government is expected to spend an estimated USD150 billion for reconstruction of key sectors include the following:-
 - i. USD17 billion for Baghdad International Airport
 - ii. USD12 billion for the port of Basra
 - iii. USD15 billion to construct the Al-Rasheed City near Baghdad
 - iv. USD5 billion to build 4000 schools
 - v. USD1 billion of public works within Baghdad Municipality
 - vi. USD16 billion worth of projects in Erbil, Sulaymaniya and Duhok (all in Kurdistan)
7. The main opportunities from the public sector outlined in the reconstruction of Iraq are largely in the following sectors:-
 - i. Housing and construction
 - li. Oil and gas
 - lii. Power generation
 - lv. Healthcare
 - V. Infrastructure and transportation

The private sector too have slowly evolved to avail opportunities in the construction largely in the development of commercial hubs and hospitality industries.

8. As reported earlier most of the opportunities in Iraq are offered by the Government of Iraq and the nearly 200 state-owned-enterprises, including national government ministries and provincial governments. They are generally announced on Iraqi government websites, where available and sometimes through advertisements (in Arabic) in Iraqi newspapers.
9. The Regional Government of Kurdistan is evolving as an increasingly popular gateway for opportunities in Iraq generally as it is relatively safer than the rest of Iraq.

3.3 The Challenges

3.3.1 Security

Security still remains a great challenge of doing business in Iraq, particularly for foreigners. Despite great improvements since 2009, Iraq still remains a dangerous place. Violence against locals and foreigners still persists and threats of attacks against foreigners remain high. Roads and other public areas continue to be dangerous for travelers. Attacks against military and civilian targets throughout Iraq continue, including indirect fire attacks in the International Zone. Incidents of extortions, kidnappings and random killings of both Iraqi officials and foreigners by insurgent groups and criminals have regularly been recorded.

The United States is expected to exercise complete pullout of its troops from Iraq by 2011. Law enforcement is currently strengthening as new Iraqi police units continue to be trained and deployed. The United States government, United Kingdom, Australia and New Zealand are some of the countries that regularly issue the latest security advice pertaining to the place you are visiting in Iraq.

Information could be sourced from the following websites:-

- i. United States : <http://www.travel.state.gov/travel/iraq-warning.html>
- ii. United Kingdom : <http://www.fco.gov.uk>
- iii. Australia : <http://www.ema.gov.au> or
<http://www.smarttraveller.gov.au/zw-cqi/view/Advice/Iraq>

It is advisable for travelers to Iraq to mitigate the security risk through the appointment of a private security company to meet, transport and accommodate during their visit. There are quite a number of private security companies in Iraq that provide these services.

3.3.2 Corruption and Lack of Transparency

Corruption and lack of transparency remains a significant challenge to doing business in Iraq. Corruption has developed almost unto a culture at all levels and Iraq ranks 175 out of 178 countries in the Corruption Perceived Index for 2010. Despite efforts through the establishment of the Commission of Integrity (COI) – an independent, autonomous Iraqi government agency responsible for anti-corruption, law enforcement and crime prevention, there has not been much improvement yet. Iraq has also signed and ratified the United Nations Convention against corruption in 2008 and has drawn out a long-term strategy to achieve compliance, including anti-corruption training to combat corruption by local and central government officials.

3.3.3 Weak Bureaucracy

Despite restructuring of the government, Iraq is still inhibited with the legacy of a weak bureaucratic and inefficient machinery. The difficulties encountered for starting a foreign business in Iraq and the business climate is reflected in Worlds Banks' 2011 Doing Business Survey, wherein Iraq ranks 166 out of 183 countries. It has been identified that there is a need to reduce central government control and increase efficiency at all levels.

The fairly recent effort to move from a centrally controlled economy to one that is market based has resulted in ill planned bureaucratic structures with lack of rules and regulations or, where they do exist, they are often open to differing interpretations.

3.3.4 Weak Legislative and Judiciary Systems

There are deficiencies in Iraq's legislative and regulatory infrastructure, particularly with regard to provisions to protect the interests and capital of foreign companies. Although the National Investment Law 2006 has been in place, the implementing regulations of the law have not yet been promulgated and it has resulted in dampening the flows of foreign investors and involvement of foreign firms in government tenders. It is however noteworthy that Iraq under a conservative regime has initiated reforms in a short time and it will be awhile before there is acceptance of international practice. However, to date, litigating in Iraq has still been quite difficult for foreigners.

3.3.5 Unreliable Infrastructure (power, water, transportation and communications)

The communications infrastructure in Iraq is a cause for concern. There are few telephone land lines and most people rely on mobile telecommunications. Internet penetration is also low. Public transport is available but getting about is difficult due to security situations. Water and power supply is still below average in efficiency, availability and reliability, with supply averaging less than 14 hours per day.

3.3.6 Payments, Finance and Banking

The private banking industry in Iraq is still in its infancy after undergoing tremendous revamp following three decades of war. Private banks were not allowed to operate until 1992 and the government forbade them from conducting international transactions. The number of private banks have increased since 2003 but most of the operations are rather conservative and are averse to credit risk and give out fewer loans. Loan decisions are invariably delayed due to poor processing capabilities coupled with lack of expertise and guidelines. Opening a personal or commercial bank account is a cumbersome and costly process at the private banks with a charge of a 2 percent fee for making a deposit. It is hoped that the private banking will improve with more investment in human capital and technology, and better long-term planning.

Other challenges in the banking sector are higher interest rates on business loans and difficulty obtaining letters of credit. A common phenomenon in contracts is delayed payments despite the agreed terms on payments. Doing business under denied obligations on due payments and difficulties in securing letters of credit could prove to be a very challenging business environment.

The Trade Bank of Iraq (TBI), backed by a consortium of major international banks, led by JP Morgan has been established to facilitate, the issuance of letters of credits that provide assurance that Iraqi ministries will settle their contractual obligations via standard international payment mechanism.

3.3.7 Government Procurement Procedures

Government procurement practices often lack transparency and are also plagued by delays in signing of contracts and long delays in securing letters of credits. It is a common occurrence for awarded tenders to be cancelled and then rebid with no explanation. Government tenders are generally announced on Iraqi government websites, where available, or sometimes through advertisements in Iraqi newspaper (in Arabic). There is very little consistency in how tenders are offered, written, or announced. There is no central website where tender notices can be found. Tender announcement are received from contacts and are sometimes publicized in the local press.

3.4 The Major Infrastructure Projects

3.4.1 Government Agencies

The Government of Iraq is currently elaborating plans to rebuild the country's infrastructure including major projects in agriculture, transportation, telecommunications, energy and housing with a total budget of USD150 billion by 2025. In addition to budgetary funds, Iraq intends to involve foreign investors, including via public-private partnerships.

The National Investment Commission, and the Working Group on Infrastructure Finance have formulated and are developing further plans to facilitate foreign investment through attractive project conditions. The area of investment that has been highlighted for construction opportunities are:-

- i. Power generation and transmission
- ii. Development of hotels, and tourism related facilities
- iii. Healthcare
- iv. Infrastructure projects including housing, transportation, highways, airports and dams

The leading construction opportunities in Iraq beyond the public-private partnership projects are in public tenders bided by the Iraqi government ministries and state-owned enterprises. The key sectors to watch are transport, electricity and housing. The principal ministries offering construction related tenders are Ministry of Housing and Construction, the Ministry of Electricity, and the Ministry of Transportation.

3.4.1.1 Ministry of Construction and Housing

Iraq is continuing to forge ahead with multi-billion dollar housing projects and has attracted quite a number of contractors from neighboring countries. The Ministry of Construction and Housing (www.moch.gov.iq) is the responsible ministry for the development of roads, airports and housing in Iraq. The agencies responsible for construction activities are:-

- i. State Commission for Housing (www.scoh.moch.gov.iq)
- ii. State Commission for Buildings, (www.scb.moch.gov.iq) and
- iii. State Commission for Roads and Bridges (www.scrh.moch.gov.iq)

The websites of the various state commissions carry some information on current projects being implemented and on tenders. These websites are sometimes not updated or the information contained are in Arabic

3.4.1.2 Ministry of Electricity

Power generation transmission and distribution is the purview of Ministry of Electricity (www.moelc.gov.iq) and notifications of tenders are available at its website, albeit in Arabic. The government is now more focused on investments in the energy sector. Some information on investment in the energy sector and projects are available at the website.

3.4.1.3 Ministry of Transport and Communications

The ministry handles road, rails, sea and air transportation. The website of the Kurdistan ministry is www.mocrkrq.org.

3.4.2 The National Investment Commission

The Iraqi National Investment Commission (NIC) (www.investpromo.gov.iq) was established to promote investment in Iraq, largely in the reconstruction. The NIC is entrusted to provide an amicable environment for investors in the various sectors including the infrastructure sector, and has taken several steps to facilitate this, granting exemptions, incentives and guarantees available to foreign investors under Iraqi law.

The new Iraqi investment law 13 as amended in 2009 states:-

- Projects receive a 10 year exemption from taxes and fees, increasing to 15 years if the project is at least 50% Iraqi owned.
- Assets and materials imported for the project will not be subject to taxes or fees, as long as they are brought within three years of the date of that project commences; or three years from the date an expansion or renovation of the project commences.
- Protection from nationalization of projects by the Iraqi Government.
- Companies may hire non-Iraqi workers, who may repatriate their salaries.
- Companies may repatriate capital brought into Iraq.
- Companies may insure projects internationally.
- Companies may open bank accounts in Iraq.
- Foreign investors now permitted to own land exclusively for housing projects.

The NIC has identified major housing, power and other infrastructure projects that are to be implemented on public-private participation. The following chapter discusses some of the projects that have been announced.

3.4.2.1 Major Construction Projects Announced for Implementation

(i) Residential & Commercial

1. Basra Shopping Mall
2. 20,000 Residential Units in Najaf

(ii) Energy and Utilities

1. Kirkuk-Banias gas pipelines
2. Power –plant in Al-Nassiriya
3. Water pipe-line linking Iraq-Iran

(iii) Transport

(a) Airports

1. Baghdad International Airport Expansion
2. New International Airport, serving Kerbala, Najaf and Hilla (planning stage)

(iv) Railways

1. Baghdad Loop Line
2. Rail line linking Khorramshahr and Basrah
3. Railway linking Istanbul (Turkey) and Basrah
4. Iraq-Syria rail link rehabilitation
5. Musaiyab – Kerbala – Najaf – Semawa project
6. Baghdad – Baquba-Kerkuk-Arbil-Mosul project

(v) Roads

1. Baghdad Kirkuk - Salahahddin - Mosul - to Turkish border (508km) Highway (Highway No.2)

3.5 Malaysian Company Currently Active in Iraq

Company
1. Petronas Malaysia

Source from:- <http://www.zawya.com>

3.6 Basic Construction Material Prices in Iraq

Material	Price (USD)
Cement (1 ton)	150.00
Reinforcing steel (1 ton)	720.00
Sand (3 ton truck load)	381.00

Source from:- <http://www.iraq-businessnews.com/tag/construction-engineering/page/3/> (as of 16 July 2010)

Structures For Doing Business

Iraq's company law, the Coalition Provisional Authority CPA Order 64 facilitates business by simplifying the registration process and procedures for both foreign and Iraqi investors. All new companies i.e. local and foreign are to register with the Registrar of Companies (Ministry of Trade), and the registrar is required either to approve or disapprove an application in writing within 10 days.

A foreign person or legal entity may become a founder, shareholder or partner in any type of company with unlimited level of participation; and a foreign business organization may invest using freely convertible currencies or Iraqi legal tender.

4.1 Major Features of Company Law:

Foreign investors may establish completely foreign owned entities including subsidiaries. They may enter into joint venture agreements with domestic investors, acquire an existing investment or open branch offices. Foreign investors are fully authorized to possess, use, transfer or dispose of their investment; and may manage or participate in managing a business organization. All funds as given below which are associated with the investment are transferable abroad:-

- Shares, Profits or Dividends;
- Proceeds from the sale or disposal of an investment or a portion thereof;
- Interest, Royalty Payments, Management Fees, or any other Fees and Payments made under a contract and;
- Any other transfers approved by the Ministry of Trade.

The Iraqi laws recognize three types of companies:-

1. State Companies which are government owned entities, registered with the Ministry of Trade.
2. Private Sector Companies, in which the public sector does not participate or its participation does not exceed 25% of the capital.
3. Mixed or Joint Companies, established by private persons and public sector entities with the public sector holding at least 25% of the share capital.

4.1.1 Private Companies

There are 5 types of Private Companies:

- i. The **private joint-stock company**: shall be formed by not less than five persons, who will participate in it by owning shares through public subscription and will be responsible for the company's debts in so far as the nominal value of the shares to which they have subscribed.

- ii. The **private limited liability company**: shall be formed by no more than 25 natural or juridical persons, who will subscribe to its shares and will be responsible for the company's debts in so far as the nominal value of the shares to which they have subscribed.
- iii. The **joint liability company** (general partnership): shall be formed by not less than two and not more than 25 persons, each owning a quota of its capital. They shall jointly assume personal and unlimited responsibility for all of its obligations.
- iv. The **sole owner enterprise**: is a company formed by one person, who owns the one quota in it and assumes personal and unlimited responsibility for all of its obligations.
- v. The **simple company**: shall consist of several partners, who are not less than two and not more than five and who have contributed shares to the capital. In such a company one or more may contribute services with the others offering funds.

The private company must have a unique name and must be registered with the Ministry of Trade.

The founders in the private joint-stock company shall subscribe by not less than 20 percent in its nominal capital. The remaining shares shall be offered for public subscription within 30 days from the date of the approval of the establishment of the company. The nominal value of the share shall be one Dinar.

In the case of the joint-stock company and the limited liability company, the shareholder may transfer ownership of his/her shares to another shareholder or outsiders, while bearing in mind the following considerations:

- The lapse of at least one year since the establishment of the company.
- The distribution of dividends that are not less than five percent of the paid up nominal capital.
- The shareholder from the private sector cannot transfer ownership of his or her shares:
 - If they are mortgaged, seized, or sequestered under a court decision.
 - If their certificate is lost and a replacement has not been issued.
 - If the share to be transferred owe debts to the company.
 - If the transferee is prohibited to own shares in the company under a law or a decision issued by a competent quarter.

4.1.2 Mixed or Joint Companies

There are 2 types of Mixed or Joint Companies:

1. The mixed joint-stock company: shall be formed by not less than five persons, who will participate in it by owning shares through public subscription and will be responsible for the company's debts in so far as the nominal value of the shares to which they have subscribed.
2. The mixed limited liability company: shall be formed by no more than 25 natural or legal persons, who will subscribe to its shares and will be responsible for the company's debts in so far as the nominal value of the shares to which they have subscribed.

The mixed company shall be formed by the agreement between one or more persons from the state sector and one or more persons from outside this sector. The state sector's share in the mixed company's capital must not initially be less than 25 percent. A mixed company may also be formed by two or more persons from the mixed sector. When the state sector's share falls below 25%, the company shall be treated as a private company. The mixed company must have a unique name and must be registered with the Ministry of Trade. It must be competitive in its business operations as the Government will not compensate it any losses.

Most existing mixed companies are joint stock companies. The founders shall subscribe by not less than 30 percent and not more than 55 percent of its nominal capital and this must include the minimum 25 percent fixed for the state sector. The remaining shares shall be offered for public subscription within 30 days from the date of the approval of the establishment of the company. The nominal value of the share shall be one Dinar.

4.2 How to Establish a Company

The founders (domestic, foreign or mixed) shall prepare a contract for the company which is signed by them or their legal representative.

The contract shall contain at a minimum:-

- The company's name and corporate form, with the word "mixed" added if it is a mixed sector company, and any other acceptable elements.
- The company's head office, which must be in Iraq.
- The purposes for which the company is established and the general nature of the business to be transacted.
- The company's capital divided in quotas and shares.
- The method of distributing profits and losses in the joint liability company.
- The number of elected members in the board of directors of the private joint-stock company.
- The names of the founders and their nationalities, professions, permanent addresses, and the number of shares they own as well as their percentage of the capital.

The founder of a limited liability company when there are no other founders, or the founder of a sole owner enterprise shall prepare a statement, which shall serve the purpose of a company contract and shall be subject to the provisions that are applicable to the contract whenever they occur in this law.

The founders of the company shall subscribe to the company's capital in accordance with their agreed to contributions.

The founders shall deposit the amounts of the company's capital with one or more banks authorized to operate in Iraq. It is permissible for the company's capital to include contributions in kind.

The application for establishment shall be submitted to the Ministry of Trade / Registrar of Companies with the following attachments:-

- The company's contract.
- The subscription document of the joint-stock company signed by the founders.
- A statement from the bank or banks proving that the capital required in Article 28 has been deposited.
- The technical and economic feasibility study on the joint-stock company.

(You can download the registration details at www.motiraq.org)

An Application for the registration mentioned above (including all required information and documents) may be filed in either the Arabic or English language. Translations shall be provided of home country documents not in the English or Arabic language.

The company acquires corporate status from the date of the issuance of its establishment certificate; the certificate being considered as proof of this status.

A company which is established in Iraq in accordance with the provisions as described above is considered an Iraqi company.

For more details on Registration, Online Registration, Commercial Laws & Regulations and Registration Application Forms, please visit the Iraq Registrar of Companies (Ministry of Trade):- <http://www.briraq.com/English/default.htm>.

Doing A Construction Business

Malaysian companies interested in bidding on any Iraqi Government tenders must be a locally registered entity in Iraq. Registering with Iraq's Ministry of Trade is a necessity. It must be noted that the fairly recent move from a centrally controlled economy to one that is market based, has currently meant that many of the structures and support that are in place in other markets to facilitate business are not present in Iraq. There is often a lack of proper rules and regulations or when they do exist, are subjected to differing interpretations.

Interested companies also need to accept the fact that due to the lack of capacity in many of the Iraqi Government Ministries and that due to poor communications infrastructure in particular, decision making processes take considerable time. It makes prudent sense to seek the services of an experienced local lawyer to facilitate and advise the process of registration.

Malaysian companies intending to operate in or visit Iraq are strongly advised to seek adequate security arrangements. Details of companies providing security services in Iraq are treated in the discussions under Chapter 7.

5.1 Registering a Construction Business

Currently there are no specific regulatory or support organization to oversight the construction industry. Bids are called based on capabilities and capacities.

5.2 Market Entry Strategies

5.2.1 Local Research

It is very important that prior to entry into the Iraqi market considerable research is done on the opportunities and the challenges associated with it. Iraq market is not for the faint hearted and considerable local presence and intelligence would be necessary before taking the plunge. It is also advisable to check on the security situation from time to time and the U.S. Department, United Kingdom and Australian government issues up-to-date travel warnings for countries throughout the world.

5.2.2 Local Agent

It is strongly recommended that Malaysian companies partner with established Iraqi firms. Having a local Iraqi partner will serve as an on-the-ground expert to guide you through local bureaucracy and overcome barriers of language and culture besides facilitating the local connections necessary. The well connected local agent is an excellent way when pursuing business opportunities with the government and its ministries.

Most tenders and communications are articulated in Arabic and this is an even more important reason for a local Iraqi partner or agent. It is a fact that responding to, and winning, a government tender in Iraq is typically a tedious and bureaucratic process that requires the constant attention of an on-the-ground local representative. A reliable local Iraqi representative is vital as there are many bogus tenders floated in the market and would need careful scrutiny.

5.2.3 The Entity

Local partnerships are the recommended entry strategy for foreign business operators. An Iraqi partner as mentioned earlier has vital access to local market knowledge and will be able to facilitate overcome all legal and regulatory obstacles. It therefore makes prudent sense for Malaysian firms to enter into a joint venture/partnership arrangements with reliable local Iraqi firms.

Many Iraqi local construction firms have developed their capabilities as support contractors to the major construction and reconstruction programs in Iraq in the last decade, and are now available for partnership. It is therefore vital that local presence and study would be necessary to identify the right joint venture partner.

There are also organization established in Iraq to help foreign firms identify suitable local firms for opportunities identified.

These are (i) Baghdad Business Centre (www.baghdadbusinesscentre.org) (ii) Kirkuk Business Centre (www.kbciraq.org) and (iii) the Basrah Business Centre (www.basrahbusinesscentre.com).

It is also to be noted that all companies interested in bidding on a government tender are required to register as a foreign business in order to do business in Iraq and with Kurdistan Regional Government if the business is in that region. It is highly recommended that a local lawyer is engaged to assist with the registration process.

5.2.4 Bidding on Government Tenders

Companies interested in bidding on government tenders must be registered with the Ministry of Trade. There is no central website where tender notices can be found. Tender information are usually received from contacts and are sometimes publicized in the local press. Tender notices are most often published in Arabic. Tender applications requirements are identified in the notices and vary by ministry and by contract.

5.2.5 Kurdistan Regional Government as Entry Point

The Kurdistan Regional is relatively safer and stable as compared to rest of Iraq. Many foreign companies have resorted to establish the market entry through Kurdistan and Malaysian companies should consider likewise, although the issues associated with difficult bureaucracy, corruption and legislations are still there.

Economy Overview

The Iraq economy has historically been characterized by heavy dependence on oil exports to sustain the nation. It has been invariably estimated that Iraq has more than 112 billion barrels of oil reserves and could prove to be the second largest reserve next to Saudi Arabia. Iraq has also significant gas reserves but due to lack of infrastructure have not been tapped. These gas reserves could either be liquefied for export or used to provide as planned energy source for electricity production to spur the manufacturing industries. Other natural resources in the country are phosphates, sulphur, iron, bauxite and kaolin.

The oil sector currently provides 90% of government revenue and 80% of foreign exchange earnings.

Agriculture is Iraq's second- largest economic sector producing about 12% of the Gross Domestic Product (GDP), employing at least 15% of the labor force. Despite its abundant land and water resources, Iraq remains a net food importer.

6.1 The Economic Outlook and Gross Domestic Product (GDP)

After a decline in the growth following the Iran-Iraq war, economic growth was further mitigated after United Nation sanctions against Iraq in 1995 and curbs in oil production. Foreign government aid sustained Iraq's economic following the fall of Saddam Hussein's regime in 2003. It was not till 2006 that the economy gradually picked up and since mid 2009, oil export earnings have returned to levels seen before Operation Iraqi Freedom and government revenues have rebounded along with global oil prices.

Today, Iraq is on the rebound, as security improves together with political stability and improved business environment. Iraq has moved forward to introduce reforms in investment laws to strengthen the economy, including a hydrocarbon law that encourages development of the oil and gas sectors and a revenue sharing law that equitably distributes oil and gas revenues among the central government, the provinces and the Kurdistan Regional Government.

Iraq has implemented many structural reforms including bank restructuring and private sector development. Further reforms towards reducing corruption will be the key to Iraq's economic growth.

With the introduction of the Hydrocarbon Law and several private licenses issued to exploit the oil and gas fields in the south, (of which Petronas and its joint venture partners have secured four licenses), the oil and gas sector is now poised to contribute significantly towards its economy.

Iraq has the capacity to be a thriving, middle class economy. The GDP has risen from USD57 billion in 2006 to USD82.4 billion in 2010. The GDP per capita is forecast to exceed USD4,500 by 2014. GDP growth in 2010 was estimated at 2.5%, but is expected to exceed 11.5% in 2011 surpassing China's forecasted growth of 9.5%.

The Iraq government launched the National Development Plan 2010-2014 which sets out the Government's priorities for broad-based growth, pursuing a strategy to gain foreign participation in joint ventures and facilitate investment at all levels. The Central Bank has been successful in controlling inflation through appreciation of the Iraq Dinar against the US Dollar.

6.2 Investment Climate

Iraq has since 2006, been formulating reforms to create Iraq as an open economy. Iraq is making some progress in building the institutions needed to implement economic policy and in February 2010, Iraq concluded a Stand-By Arrangement (SBA) with the International Monetary Fund (IMF) that details further economic reforms. The Iraqi government is also seeking to pass laws to strengthen its economy and also Iraq's financial institutions. The Iraqi government is also pursuing a strategy to encourage foreign investment in Iraq's economy. The amendments to the National Investment Law and establishment of the National Investment Commission and the launch of the National Development Plan 2010-2014 are positive measures towards the creation of a vibrant business environment and economy.

Despite the strong will to reform the economy, the challenges such as widespread corruption, inadequate infrastructure, insufficient essential services and outdated commercial laws and regulations retard investments and continue to constrain the growth of private, non-energy sectors.

6.3 Challenges

The challenges that are identified for a good business environment are:-

1. Widespread corruption
2. Political and sectarian violence
3. Outdated laws, rules and regulations, including transparency
4. Difficult bureaucracy
5. Poor infrastructures (power, water, transportation, communications, etc.)
6. Inadequate skilled labor supply
7. Difficult financing and payment delays
8. Securing land title
9. Weak and immature Iraqi court system
10. Attaining business visas

6.4 Measuring the Business Environment

The measurements of some of the above mentioned challenges and progress achieved by reforms initiated by government's policy and actions are measured through relative indicators and surveys that are published annually by leading international agencies that includes the World Bank (Ease of Doing Business); the Heritage Foundation (Economy Freedom); the World Economic Forum (Global Competitiveness Index); Transparency International (Corruption Perception Index) and Maplecroft (Global Risk Atlas) and the Political Risk Services Group (International Country Risk Guide).

6.4.1 The World Bank Report on Ease of Doing Business

The World Bank Report on Ease of Doing Business 2011 presents quantities, indicators on business regulations and the protection of property rights that can be compared across 183 economies. The report covers the period June 2009 through May 2010.

The indicators refer to a specific type of business and record all procedures that are officially required to start up and formally operate an industrial or commercial business. The study besides procedures also encompasses time, cost and paid-in minimum capital for a local, limited liability company based and operators in the country's largest city.

A set of regulations affecting 9 stages of a business's life is measured namely:-

1. Starting a business
2. Dealing with construction permits
3. Registering property
4. Getting credit
5. Protecting investors
6. Paying taxes
7. Trading across borders
8. Enforcing contracts, and
9. Closing a business.

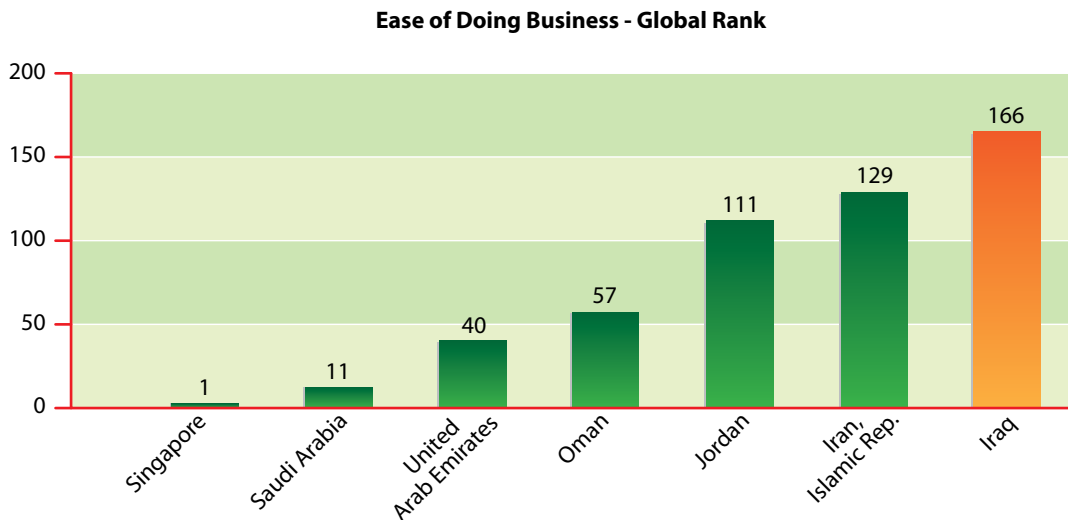
The World Bank's report ranks Iraq at number 166 out of the 183 countries in terms of how easy it is to do business in them for 2011. Singapore is the top ranked economy whilst Malaysia is ranked at 21. Iraq was ranked 153 out of 183 economics in the year 2010 (13 notches) indicating a deterioration in some of the criteria's towards ease of doing business in Iraq. It must be noted that when one country's ranking goes down, it could only be because of either its performance in the various indicators used for ranking is deteriorating or some other countries simply outperformed and overtook it even if it is doing well.

The ranking of Iraq in the various indicators for the Year 2010 and 2011 are as follows:-

	2010	2011
Rank	153	166
Starting a Business	175	174
Dealing with Construction Permits	94	102
Registering Property	53	96
Getting Credit	167	168
Protecting Investors	119	120
Paying Taxes	53	54
Trading Across Borders	180	179
Enforcing Contracts	139	141
Closing a Business	183	183

There has been little improvements in doing business environment in Iraq whilst it has deteriorated in indicators for;- Dealing with construction permits, registering property and enforcing contract.

The following graph is a representative of the ranking of Iraq and the economies in the region and also compared to good practice economy.



6.4.2 Open Economy and Freedom (The Heritage Foundation)

Economic freedom is defined as the fundamental right of every human to control his or her own labour and property. In an economically free society, individuals are free to work, produce, consume and invest in any way they please, with that freedom both protected by the state and unconstrained by the state.

The Heritage Foundation, based in Washington together with The Wall Street Journal, tracks and measures ten components of economic freedom, assigning a grade in each using a scale from 0 to 100, where 100 represents the maximum freedom.

The 10 components of economic freedom are related below together with the average score for Iraq in 2011.

- Business Freedom
- Trade Freedom
- Fiscal Freedom
- Government Spending
- Monetary Freedom
- Investment Freedom
- Financial Freedom
- Property Rights
- Freedom from Corruption
- Labor Freedom

The Heritage Foundation reports that the level of economic freedom in Iraq remains unrated in the 2011 Index because lack of sufficiently reliable data. Despite not being graded the observations of the Foundation on the various components of economic freedom are reported as follows:-

• **Business Freedom**

Despite some progress in establishing an investment-friendly business environment, significant impediments to entrepreneurial activity persist. Hampered by bureaucracy and widespread corruption, enforcement of existing commercial regulations is ineffective and inconsistent.

• **Trade Freedom**

Iraq is trying to re-establish more broad-based trade. According to the U.S. Department of Commerce, Iraq applied a flat tariff rate of 5 percent in 2004. Non-tariff barriers include inadequate infrastructure and trade capacity, significant customs delays, security concerns, and some import and export bans.

• **Fiscal Freedom**

Individual and corporate income tax rates are capped at 15 percent. Tax revenue as a percentage of GDP is negligible, with estimates at 1.2 percent of GDP or 4.2 percent of non-oil GDP. Further modernization of the tax system and introduction of a sales tax as a precursor to a value-added tax (VAT) are under consideration, but the central government's weakness makes effective reform difficult.

- **Government Spending**

It is estimated that total government expenditures, including consumption and transfer payments, equal about 78 percent of GDP. Oil accounts for over 95 percent of exports and government revenue, and attempts to sell state-owned oil fields in the past year were not successful. If authorities are to meet deficit reduction goals, the wage bill must be contained, social spending better targeted, and transfers to state-owned enterprises reduced.

- **Monetary Freedom**

Inflation in Iraq has dropped, averaging just 1.6 percent between 2007 and 2009. Consumer price growth has been low since early 2008. Appreciation of the dinar, an improvement in the supply of basic items, and falling global commodity prices have lowered import costs and kept down inflationary expectations. Recovery of global commodity prices, the government's decision to assume control of vegetable imports, and a poor harvest have led to a forecast that inflation will average 5.3 percent in 2010–2011. The government maintains a large public sector, provides a number of subsidies, and imposes a number of price controls.

- **Investment Freedom**

Iraq is open to foreign capital in principle, but inadequate regulatory capacity, policy uncertainty, security concerns, and corruption deter investment. There are no restrictions on current and capital transactions involving currency exchange as long as underlying transactions are supported by valid documentation. Implementing regulations for Iraq's 2006 National Investment Law were passed in 2009.

- **Financial Freedom**

Iraq's cash-based economy lacks the infrastructure of a fully functioning financial system. The legal and institutional framework has not strengthened enough to deepen financial intermediation. A 2004 law liberalized and modernized the banking system, allowing allocation of credit on market terms and making the central bank independent. The two largest state-owned banks (Al-Rafidain and Al-Rasheed) account for over 90 percent of assets. Four specialized state-owned banks serve the agricultural, industrial, real estate, and social sectors. The major activity of private banks is handling financial transfers from the government to local authorities or individuals.

- **Property Rights**

There is very little protection of property in Iraq. Foreigners may rent or lease land for up to 50 years, and leases are renewable. Foreign investors may own investment portfolios in shares and securities. The Commission for the Resolution of Real Property Disputes is an independent governmental commission established to resolve claims for real property confiscated, forcibly acquired, or otherwise taken for less than fair value by the former regime between 1968 and 2003 for reasons other than land reform or lawfully applied eminent domain. The legal system remains very weak. U.S. forces, working with Iraqi military and police units, have improved the rule of law but still face daunting challenges. Iraq does not have adequate statutory protection for intellectual property rights.

• **Freedom from Corruption**

Corruption is perceived as rampant. Iraq ranks 176th out of 180 countries in Transparency International’s Corruption Perceptions Index for 2009. Under Saddam Hussein, corruption reached into almost every economic transaction. Undoing this legacy will take time, and investors still may have to contend with requests for bribes or kickbacks from government officials at all levels.

• **Labor Freedom**

Iraq’s formal labor market is not yet fully developed. Most private-sector jobs are short-term and informal. It is estimated that unemployment and underemployment combined affect about half of the labor force.

6.4.3 Country Governance (The World Economic Forum)

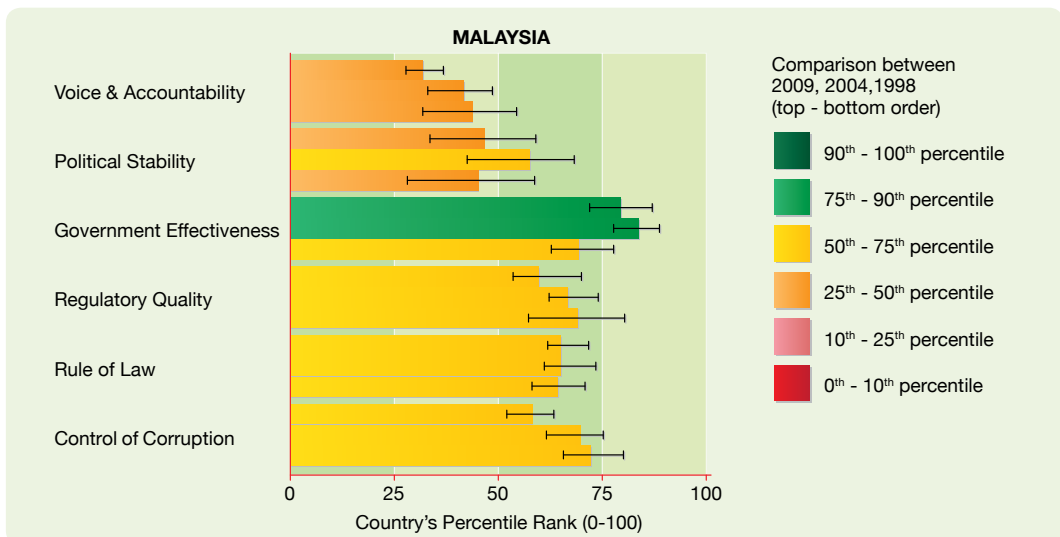
The World Bank Group, based on a long-standing research program, release the Worldwide Governance Indicators that capture six key dimensions of governance, namely:-

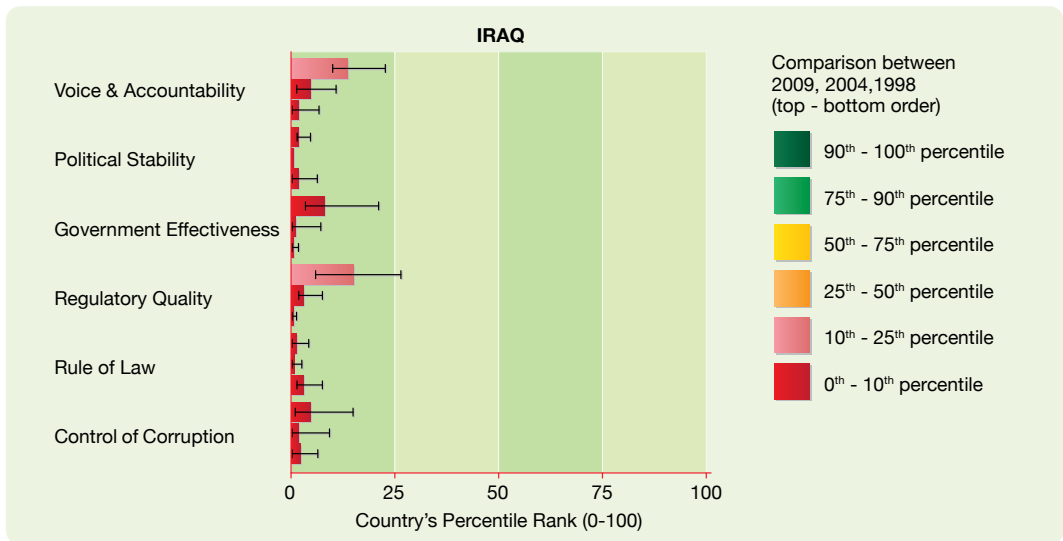
- (i) Voice and Accountability,
- (ii) Political Stability and Lack of Violence,
- (iii) Government Effectiveness,
- (iv) Regulatory Quality,
- (v) Rule of Law and,
- (vi) Control of Corruption.

The Worldwide Governance Indicator measures the quality of governance in over 200 countries based on close to 40 data source produced by over 30 different organizations worldwide and is updated on an annual basis. Full details on methodology adopted are available at the following website:- <http://info.worldbank.org/governance/wgi/resources.htm>.

Comparison of Worldwide Governance Indicator (WGI) for Malaysia and Iraq

The following charts reflect the WGI indicators for Malaysia and Iraq. The charts with the explanatory notes will reveal a fair indicator of the progress of governance as ascertained by the World Bank Group.





This chart shows the percentile rank of the country on each governance indicator. Percentile rank indicates the percentage of countries worldwide that rate below the selected country. Higher values indicate better governance ratings. Percentile ranks have been adjusted to account for changes over time in the set of countries covered by the governance indicators. The statistically likely range of the governance indicator is shown as a thin black line. For instance, a bar of length 75% with the thin black lines extending from 60% to 85% has the following interpretation: an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than the country of choice. However, at the 90% confidence level, only 60% of the countries rate worse, while only 15% of the countries rate better.

6.4.4 Corruption Perception Index (Transparency International)

Transparency International is a global network including more than 90% locally established national chapters. These bodies fight corruption in the national arena in a number of ways. They bring together relevant players from government, civil society, business and media to promote transparency in elections, in public administration, in procurement and in business. The global network of chapters and contacts also use advocacy campaigns to lobby governments to implement anti-corruption reforms. Transparency International has in its efforts, has developed the Corruption Perception Index and produces an annual report which orders the countries of the world according to “the degree to which corruption is perceived to exist among public officials and politicians”.

Transparency International released the Corruption Perception Index 2010 in October 2010. The 2010 Corruption Perception Index (CPI) shows that nearly three quarters of the 178 countries in the index score below five, on a scale from 10 (very clean) to 0 (highly corrupt). Iraq ranked as 175 out of the 178 countries with Afghanistan, Myanmar and Somalia trailing it. Malaysia is ranked at 56. In the CPI 2009, Iraq was in a similar ranking.

6.4.5 Political Risk Rating – International Country Risk Guide (ICRG)

Political risk is a factor that decides on the business environment of a country. The Political Risk Services Group (PRS) formed and developed “International Country Risk Guide (ICRG)” in 1992 as a country risk analysis system. The ICRG has been independently acclaimed and has evolved as one of the world’s most trusted resources for evaluating and forecasting international risk, and being sourced by researchers, the International Monetary Fund (IMF), the World Bank, and a host of other financial institutions.

The aim of the political risk rating is to provide a means of assessing the political stability of the countries covered by ICRG on a comparable basis. This is done by assigning risk points to a pre-set group of factors, termed political risk components. The minimum number of points that can be assigned to each component is zero, while the maximum number of points depends on the fixed weight that component is given in the overall political risk assessment. In every case the lower the risk point total, the higher the risk, and the higher the risk point total, the lower the risk.

The political risk rating includes 12 components. Four of these components can be considered to directly impact the business environment, investment profile, corruption, law and order and bureaucracy audits. The other components which deal with government stability, socioeconomic conditions, internal/external conflict, military influence, religious/ethnic tensions and democratic accountability may be more political, but will certainly affect a business decision to invest.

The ICRG produces on a monthly basis, the political, economic, and financial risk ratings for 140 countries that are important to international business. The ICRG ratings form the basis of an early warning system for opportunities and threats, country-by-country. Full details on methodology and information on the ICRG ratings are available at the following website:- <http://www.prsgroup.com/ICRG.aspx>.

Based on ICRG, Iraq was ranked 137th out of 140 countries monitored whilst Malaysia was ranked 43rd for the year 2010. (Iraq was ranked 139th out of 140 countries in 2009, reflecting some improvement in the security environment).

Travelling To Iraq

7.1 Visa

All citizens of Malaysia residing in Malaysia must apply for a visa to travel to Iraq in person at the Iraq Embassy in Malaysia either as tourists or on business trips.

Application for such visas has to be submitted to the Embassy of The Republic of Iraq. The requisites for a visa are:-

- i. Duly completed visa application (download from: www.iraq.visahq.com).
- ii. Passport of the applicant (validity at least 6 months).
- iii. Two passport size color photographs recently taken.
- iv. Letter from the local employer/agency giving details and purpose of visit with the specific dates of travel.
- v. Invitation / correspondence from relevant organization in Iraq.
- vi. Visa fee for Malaysian Nationals - RM 40/-

Embassy/ High Commission / Consulate for Malaysia

CONTACT DETAILS

EMBASSY OF THE REPUBLIC OF IRAQ

2 Jalan Langgak Golf

Off Jalan Tun Razak, 55000 Kuala Lumpur

Wilayah Persekutuan, Malaysia

Telephone: (+603) 21480650, (+603) 21480555

Fax : (+603) 21414331

Email: quaemb@iraqmofamail.net

Website: www.iraq.visahq.com

Office hours : Monday to Friday 9.00am – 4.00pm

7.2 Flights and Airports

Baghdad International Airport, originally Saddam International Airport, is Iraq's largest airport, located in a suburb about 16 km (10 miles) west of downtown Baghdad in the Baghdad Governorate. It is the home base for Iraq's national airline, Iraqi Airways. There are no direct flights to Iraq from Kuala Lumpur.

The routes often used to Iraq are:-

- i. Royal Jordanian via Amman
- ii. Turkish Airlines via Istanbul
- iii. Gulf Air via Bahrain
- iv. Etihad via Abu Dhabi

Erbil Airport is the main airport in Kurdistan Regional Government. You can travel to Erbil by Royal Jordanian via Amman or by Gulf Air via Bahrain.

7.3 Ground Transport and Hotels

7.3.1 Ground Transport

At Baghdad

Taxi Services are available both in cities and for transit. Fares should be negotiated in advance. Metered taxis charge twice the amount shown on the meter. Tipping is not necessary. There is a surcharge after 2200 hours. Car hire is also available. The cost from airport to hotel costs about USD30 to USD45. However foreign business visitors are strongly advised to appoint a private security company to meet, transport and potentially accommodate during the course of their visit. Cost of these companies vary and would be between USD3000 to USD6000, depending on the service required and the area to be visited.

At Erbil

Erbil Airport is the main airport in Kurdistan Regional Government. You can travel to Erbil by Royal Jordanian via Amman or by Gulf Air via Bahrain. Whilst some people use a security provider, because of the significantly better security situation in Erbil, many expats use a taxi or local hire car with driver.

7.3.2 Hotels

It is advisable to stay at the airport hotel in Baghdad, or at a villa owned by whichever security company (or life support company) you have engaged. The hotels in Baghdad are not up to international standards, nor can security of visitors be guaranteed. Most hotels operate on cash-only basis and do not take reservations. Below is the list of hotels in Baghdad, Basrah and Kirkuk.

	Hotel	Telephones number
Baghdad	Al Aik Hotel and Al Sedra Hotel	008821621665242
	Al Hamara Hotel	+96417781805
	Al Karma Hotel	+96417785314/+96417786993
	Babylon Hote	+96417781964/+96417760029
	Coral Palace	008821621124455
	Four Season Hotel	008821621668777
	Palestine Hotel	+96417470675/+96417470676
	Rimal Hotel	008821667745186
	Sultan Palace	008821651170056
	Sheraton	+96417470703

	Hotel	Telephones number
BASRAH	Marbid	+96440617719
	Diyafa	+96440615235
	Oyoun	+96440617719
	Burj Al-Basrah	+96440610348
	Jundian	+96440618181
	Zaytoun	+96440618808
	Dar Al-Salam	+96440612712
	Qassr Al-Sultan	+96440613147
KIRKUK	Kirkuk Plaza Hotel	+96450217631
	Baba Gur Gur	+96450221580

Source from:- http://govinfo.library.unt.edu/cpa-iraq/economy/business_in_Iraq.pdf

7.4 Security and Health

7.4.1 Security

With the support of the U.S. Government, Iraqi authorities are trying to strengthen law enforcement and civil structures throughout the country.

Terrorists and insurgent groups continue to conduct large-scale, lethal attacks that often target personnel and facilities. Insurgents also continue to carry out effective small-scale attacks throughout Iraq that cause fewer casualties but hinder free movement and influence public opinion regarding safety and security. Petty theft is common in Iraq, including thefts of money, jewelry, or valuable items left in hotel rooms and pick-pocketing in busy places such as markets.

Carjacking by armed thieves is very common, even during daylight hours, and particularly on the highways from Jordan and Kuwait to Baghdad.

Foreigners and Iraqi citizens are targets of kidnapping. The kidnappers often demand money but have also carried out kidnappings for political/religious reasons and many hostages have been killed.

While large religious and political events often occur in Iraq, it is advisable avoid large public gatherings. Demonstrations can start peacefully but turn violent quickly. Large gatherings have often been the target of bombings and other violent acts.

It is pertinent for Malaysian to note that travelling to Iraq is still a security risk. The Foreign and Commonwealth Office of United Kingdom issues regularly updated travel advice. It is useful to check at their website www.fco.gov.uk for travel advice. Other sites that provide travel advice are:-

- i. United States : <http://www.travel.state.gov/travel/iraq-warning.html>
- ii. United Kingdom : <http://www.fco.gov.uk>
- iii. Australia : <http://www.ema.gov.au> or <http://www.smarttraveller.gov.au/zw-cqi/view/Advice/Iraq>

Malaysians travelling to Iraq are also strongly advised to engage the services of private security companies who will provide all services necessary right from your arrival, ground transport, accommodation to your departure from the airport. A list of private security companies are available at the following website of the Private Security Company Association of Iraq at <http://www.psc.ai.org>.

The following are some of the established private security companies:-

AD Consultancy United Kingdom www.adconsultancy.com	Custer Battles Fairfax, Virginia (US) www.custerbattles.com	Global Risk Strategies United Kingdom www.globalrsl.com	Meteoric Tactical Solution South Africa louwjtjeh@hotmail.com
RamOPS Risk Mgt. Grp. Raleigh, N. Carolina (US) www.ramops.com	AKE Limited United Kingdom www.akegroup.com	Diligence Middle East Washington, D.C. (US) www.diligencellc.com	Group 4 Falck A/S India www.group4flack.com
Meyer & Associates Joshua (DFW), Texas www.meyerglobalforce.com	Triple Canopy, Inc. Chicago, Illinois (US) www.triplecanopy.com	Armor Group United Kingdom info@armorgroup.com	Generic United Kingdom www.generic.co.uk
Hill & Associates, Ltd. Hong Kong www.hill-assoc.com	Olive Security Limited United Kingdom www.olivesecurity.com	Wade-Body & Assoc LLC Lawler, Iowa (US) invops@yahoo.com	Control Risks Group United Kingdom www.crg.com
Erinys Iraq Limited Baghdad, Iraq www.erinysinternational.com	ISI Baghdad, Iraq omarhadi@hotmail.com	Optimal Solution services Australia optimal_solution@hotmail.com	

7.4.2 Health

When travelling to Iraq, vaccinations are recommended for hepatitis A, hepatitis B, hepatitis E, malaria, typhoid, rabies, Tetanus-diphtheria, Measlesmumps-rubella, cholera and yellow fever.

Do not drink tap water unless it has been boiled, filtered, or chemically disinfected. Do not drink unbottled beverages or drinks with ice. Do not eat fruits or vegetables unless they have been peeled or cooked. Avoid cooked foods that are no longer piping hot. Cooked foods that have been left at room temperature are particularly hazardous. Avoid unpasteurized milk and any products that might have been made from unpasteurized milk, such as ice cream. Avoid food and beverages obtained from street vendors. Do not eat raw or undercooked meat or fish.

7.5 Climate, Etiquette and Customs & Business Etiquette and Protocol

7.5.1 Climate

Iraq has a mostly desert climate with mild to cool winters and dry and hot summers. In the northern mountainous area, expect colder winters with occasional heavy snows that melt in the early spring, irrigating parts of central Iraq.

7.5.2 Etiquette and Customs

Meeting People

- The most common greeting is the handshake coupled with eye contact and a smile.
- The standard Arabic/Islamic greeting is "*asalaamu alaikum*" (peace be with you), to which the response is "*wa alaikum salaam*" (and peace be unto you).
- Good friends of the same sex may greet each other with a handshake and a kiss on each cheek, starting with the right.
- Expect to be introduced to each person individually at a small social function. At a large function, you may introduce yourself.

Gift Giving Etiquette

- If you are invited to an Iraqi's home, bring a box of cookies, pastries or a box of chocolates. A fruit basket is also appreciated.
- Flowers are being given more and more but only to a hostess.
- If a man must give a gift to a woman, he should say that it is from his wife, mother, sister, or some other female relation.
- A small gift for the children is always a good touch.
- Gifts are given with two hands.
- Gifts are generally not opened when received.

Dining Etiquette

The culture of hospitality means Iraqis like to invite people to their homes. If you are invited to a home:-

- Check to see if you should remove shoes.
- Dress conservatively and smartly.
- Do not discuss business.
- Iraqi table manners are relatively formal.
- If the meal is on the floor, sit cross-legged or kneel on one knee. Never let your feet touch the food mat.
- Use the right hand for eating and drinking.
- It is considered polite to leave some food on your plate when you have finished eating.

7.5.3 Business Etiquette and Protocol

Meeting and Greeting

- Iraqi businesspeople are relatively formal in their business dealings.
- The common Arabic greeting is "*asalaamu alaikum*" (peace be with you), to which you should respond "*wa alaikum salaam*" (and peace be with you).
- The most common business greeting is the handshake with direct eye contact.
- Handshakes can be rather prolonged; try not to be the first person to remove your hand.
- Men should wait to see if a woman extends her hand.
- Business cards are given out.
- It's a nice touch to have one side of your card translated into Arabic.

Communication Styles

The need to save face and protect honor means that showing emotions is seen negatively. Displays of anger are a serious no-no. If you must show disapproval it is always best to do so in a one-to-one, quietly and with tact.

Always keep your word. Do not make a promise or guarantee unless you can keep it. If you want to show a commitment to something but do not want to make firm assurances then employ terms such as "I will do my best," "We will see," or the local term "*insha-Allah*" (God willing).

Iraqi businesspeople are not afraid of asking blunt and probing questions. These may be about you, your company or its intentions.

Business Meetings

Due to the hierarchical nature of organizations or businesses the leader of an Iraqi team does most of the talking for his company or department. Subordinates are there to corroborate information or to provide technical advice and counsel to the most senior Iraqi.

It is a good idea to send any information or agendas in Arabic in advance. If you are bringing a team send the names, titles, and a brief business bio of people attending.

Decisions are generally made by the top of the company but this will be based on recommendations from pertinent stakeholders and technical experts who sit in on meetings.

Expect interruptions during meetings when phone calls may be taken or people enter the room on other matters. This should not be seen negatively; one should simply remain patient and wait for matters to return to them.

Iraqis often have several side discussions taking place during a meeting. They may interrupt the speaker if they have something to add. They can be loud and forceful in getting their point of view across.

7.6 Business Hours and Public Holidays

Government offices are open from 8:00 a.m. to 2:00 p.m. from Saturday to Thursday where else the private sector works from 8:00 am to 5:00 pm with a one or two hours of lunch break. Banks are open from 8.00 am to 12.30 pm on Sunday to Thursday but on Saturday it is only open till 12.00 noon. Most shopping malls, department stores, and supermarkets are open from 9:00 a.m. to 6:00 p.m. daily but only in summer it is open till 5.00 pm.

The annual public holidays observed are:-

Date	Holidays
1 January	New Year's Day
6 January	Army Day
15 February	Mouloud (Birth of the Prophet Muhammad)
9 April	Baghdad Liberation Day
17 April	FAO Day (Food and Agriculture Organization Day)
1 May	Labour Day
14 July	Republic Day
8 August	Ceasefire Day (End of Iran-Iraq War)
*30 August	Eid al-Fitr (End of Ramadan)
3 October	Iraqi Independence Day (National Day)
*6 November	Eid al-Adha (Feast of the Sacrifice)
26 November	Islamic New Year
5 December	Ashura

*Note : * Muslim festivals are timed according to local sightings of various phases of the moon and the dates given above are approximations.*

7.7 Tipping

The standard tipping rules are followed and add 10% - 15% on your restaurant bill, however, taxi fares don't require an additional tip as it's negotiated into the cost.

7.8 Time Zone

Iraq is **5 hours** behind Malaysian Standard time (GMT + 3 hours).

7.9 Telecommunication

The country code for Iraq is 964.

For calls from Iraq to Malaysia dial 00 + 60 + area code + telephone number.

For calls from Malaysia to Iraq dial 00 + 964 + area code + telephone number.

Telephone (landline) service is very limited; however, calls may be made from hotels, restaurants, and shops. While cellular service (mobile wireless) has expanded rapidly into urban areas, reliability can vary by region. Even in urban areas, users may frequently experience dropped calls. Internet service is available through Internet cafes, but broadband Internet service to homes is currently limited.

7.10 Currency

The Iraqi dinar (IQD) is a paper currency of 1,000 fils. There are coins of 1, 5, 10, 25, 50, 100, and 250 fils, and notes of 250 and 500 fils and 1, 5, 10, 50, and 100 dinars. All commercial banks, most large hotels, and some malls are authorized to exchange foreign currency.

Major credit cards, such as Visa, Master Card, Diners Club, and American Express, are accepted in large establishments throughout the country. ATMs are becoming more numerous and many are located outside bank branches and in the business areas of major cities. but cash is still king in Iraq, with consumers even acknowledging that credit cards are most useful for transactions made outside the country.

7.11 Electricity

The Ministry of Electricity is responsible for generating, transmitting and distribution of the electrical energy in Iraq.

Most residents and business centers in the Iraq are using 230 V, 50 Hz. Lamp fittings are of both the bayonet and screw types. Plug fittings are normally of the 13-amp pin type.



7.12 Malaysia Embassy/ High Commission / Consulate for Iraq

CONTACT DETAILS

Embassy of Malaysia in Iraq
Mahalla 915, Zukak 22
House No. 17
Hai Al-Jameah, Jadiriyah
Baghdad
Iraq
Phone: +964-1-7765909
Fax : +964-1-7173619

(On May 3, 2011 Foreign Minister Datuk Seri Anifah Aman said the decision to reopen the embassy in Iraq in three month's time after the documentation process has been completed has been agreed by the cabinet)

Finance And Banking

8.1 The Banking System

The banking system is largely the Central Bank of Iraq (www.cbi.iq) as the regulator and the monetary authority in Iraq with seven state-owned banks. They include the two largest commercial banks, Rafidain and Rasheek which account for about 96 percent of banking sector assets. There are also 32 private banks and six Islamic banks licensed by the Central Bank of Iraq (CBI). Eleven foreign banks have either been licensed to operate or have strategic investments in Iraqi banks.

The development towards a modern banking system in Iraq is still in infant stage. A modern legislative framework for banking is provided by the three main laws affecting banking:-

1. The Central Bank of Iraq Law no.56 of 2004.
2. The Banking Law No. 94 of 2004.
3. The Anti-Money Laundering Law No. 93 of 2004.

Although the volume of bank lending is growing, the majority of banking operations continue to be fee-based services. The provision of credit is therefore largely conducted among individuals in private transactions. Despite on-going improvements to the banking sector, Iraq's economy remains primarily cash-based.

The seven banks with foreign shareholding are:-

1. Commercial Bank, 49% owned by al-Ahli United Bank of Bahrain (through an Iraqi holding company).
2. Bank of Baghdad, 49% owned by the United Gulf Bank of Bahrain.
3. National Bank of Iraq, 49% owned by the Export and Finance Bank of Jordan (renamed as Capital Bank).
4. Credit Bank of Iraq, 75% owned by the National Bank of Kuwait and 10% by the International Finance Corporation (IFC).
5. Dar as-Salaam Bank, 70% owned by Hong Kong and Shanghai Banking Corporation (HSBC).
6. Economy Bank, 49% held by the A'ayan Company of Kuwait.
7. Mansour Bank, 60% owned by the National Bank of Qatar.

No bank mergers have taken place. Although the lower tier private banks remain small, they have managed to increase capital to the ID 10 billion (\$5 million) requirement mandated by the Banking Law (with this capital requirement effective the end of March 2005).

In addition to the operating private banks, three banks are setting up operations:-

1. Tigris and Euphrates Bank
2. National Islamic Bank
3. Bank Audi (Lebanon)

In addition, there are approximately seventeen applications pending at the Central Bank for new banking licenses.

Services offered by Iraqi commercial banks include current accounts, savings accounts and time deposits, short-term overdrafts and bills discounted facilities as well as short term loans and advances. Banks also offer bid advance payment, and performance bonds (but the maximum tenor is 12 months).

8.2 Financing and The Trade Bank of Iraq (TBI) (www.tbiraq.com)

The Trade Bank of Iraq was established as an independent, government – owned entity in 2003. The Trade Bank of Iraq's main purpose is to provide financial and related services to facilitate import trade, particularly letters of credit.

In 2008, the Ministry of Finance expanded trade finance opportunities for private banks by allowing letters of credits in amounts up to USD2 million to be processed through the TBI and distributed to private banks. The threshold is currently being considered to be increased.

The Trade Bank of Iraq since inception (created purely for the purpose of trade financing) has diversified into project financing as well as other credit related products including performance bonds and guarantees. Project financing has incorporated for public and private infrastructure projects that include power plants, cement manufacturing industry, water treatment and housing. It is acknowledged that the Trade Bank of Iraq plays a major role in promoting international trade and foreign investment in Iraq.

Labour, Legislation, Relation And Supply

9.1 The Environment Overview

The current labour law in force is the labour Law (No. 71 of 1987) and being outdated, Iraq is currently in the process of introducing the new Labour Law. The draft of this law has been released for public view and comments and is expected to be enacted soon. This Labour Law is comprehensive in dealing with the rights, duties and commitments involved in all aspects of production. The objective of the Law is also to protect and support both the workforce and employers, incorporate training, protection for trade organizations and management of foreign workers in Iraq.

The current Iraqi labour code is quite onerous and it is advisable for Malaysian companies to seek local professional advice on the pertinent obligations of the employer.

9.2 Availability of Labour

Unemployment in Iraq is high and estimated at nearly 20% of the population, and thus there is ample availability of supply. Adult literacy stands around 74%. The current Iraq Law does not place obligations upon employers to employ a specific percentage of nationals in that country, unless an investment license is required for a particular period in which case the National Investment Commission will apply a condition of at least 50% of the employees in the work force to be Iraqi nationals and that foreign workers can only be recruited if Iraqi nationals with the requisite skill are not available. Employers are also required to train Iraqi employees to enhance their skills. Currently most of the labour supply for the construction projects are imported through recruiting agencies based in Kuwait, Qatar and Abu Dhabi.

9.3 Employment Contracts

Arabic is the language recognized for all relations, contracts, registers and instruments of work. However, the use of Kurdish is also recognized in Kurdistan.

Employment contracts must contain a number of mandatory provisions; be in writing, specifying the kind of work and the wages.

The term of an employment contract may either be fixed or indefinite, depending on the nature of the work. Employers have the right to hire employees on trial, for a period of up to three months.

“Labour Courts” have been introduced for resolving labour disputes.

9.4 Working Hours and Annual Leave

As a general rule, employees should not work longer than 8 hours per day for 6 days per week. However, the working hours may be increased in exceptional cases. The increase is treated as overtime, for which the wage must be increased by 50% to 100%, depending on the type and nature of the work.

Employees are entitled to annual leave after a period of one full year of employment. The annual holiday is 20 days per year and is increased by two days for every five years of employment. Any agreement to waive or abandon the annual holiday, in whole or in parties void.

9.5 Termination

The following are the only permitted grounds:-

- Mutual written agreement;
- Expiry of the term of the contract;
- The will of the employee, after following certain procedures;
- Incapacity due to illness for more than six months;
- Incapacity of the employee amounting to at least 75%;
- Decline in the establishment's business provided that the labour minister has been informed.

9.6 Work Permits

The Labour Law differentiates between Arab and foreign employees. Arab employees are treated as Iraqis and thus require no work permit. Employers need only inform the Labour office within 10 days before the commencement of the employment of an Iraqi employee and 30 days before the commencement of the employment of an Arab employee. Foreign employees require work permits but employees of branches of foreign companies in Iraq are exempt.

Work permits are issued for one year and must be renewed by the foreign employee at least one month before the expiry date.

Taxation

10.1 Overview

The General Commission for Taxes under the authority of the Ministry of Finance was created in 1982 following the merger between the Income Tax Directorate and the General Revenues Directorate. The Commission still remains under the authority of the Ministry of Finance.

The General Commission for Taxes consists of 14 departments within its headquarters, as well as 18 branch offices in Baghdad and 28 branch offices in the governorates.

The Commission is responsible for the administration of the following laws:-

- a. Income Tax Law
- b. Real Estate Rental Tax Law
- c. Vacant Land Tax Law
- d. Inheritance Tax Law
- e. Sales Tax Law
- f. Real Estate Transfer Tax

Companies doing business in the Iraq are subject:-

- i. Corporate Income Tax
- ii. Wage Withholding Tax (WWTax)
- iii. Individual Income Tax
- iv. Sales Tax
- v. Vacant Land Tax
- vi. Rental Tax
- vii. Real Estate Transfer Tax
- viii. Withholding on Contracts

10.2 Corporate Income Taxation

Income earned by Joint stock and limited liability companies that are incorporated under Iraqi laws and having their place of management or control in Iraq are taxable under the Corporate Income Tax.

A 15% tax rate is imposed on the taxable income as determined by the Income Tax Law. As for foreign companies registered in Iraq or otherwise have a permanent establishment in Iraq are subject to the Corporate Income Tax only on their income earned in Iraq.

10.3 Wage Withholding Tax (WWTax)

Wage Withholding Tax (WWTax) is an income tax payable by employees and to be remitted by the employer. If an employer fails to collect the WWTax from his employees, he must pay the WWTax that should have been withheld to the General Commission for Taxes.

10.4 Individual Income Tax

The taxable income is subject to tax with a maximum tax rate of 15% as shown in the table below:-

Rate (%)	Amount income (after allowance)
3	Up to IQD 250,000
5	Over IQD 250,000 and up to IQD 500,000
10	Over IQD 500,000 and up to IQD 1,000,000
15	Over IQD 1,000,000

10.5 Sales Tax

A sales tax of 10% of the value of their services supplied to their customers are collected by hotels and restaurants.

10.6 Vacant Land Tax

Under the Law of Vacant Land Tax, a vacant land located within the city limits of Baghdad and the central areas of other cities and suburbs are be subject to an annual tax of 2% of the property's estimated value. This tax is payable in two equal payments, one on 1st January and 1st July of every financial year.

10.7 Rental Tax

Real estate owned for rental purposes under the Law of the Real Estate Tax 162 of 1959 as amended are subject to a tax of 10% of the assessed net annual rental income. The net annual rental income is the assessed gross annual rental income minus 10% for expenses and maintenance.

10.8 Real Estate Transfer Tax

Real estate transfer tax is imposed immediately before the ownership of a real estate is transferred. A progressive tax rate is imposed once the value of the real estate is assessed and it is shown in the table below.

Rate	Real Estate Value
0 %	Up to IQD 20,000,000
3 %	Over IQD 20,000,000 and up to IQD 50,000,000
4 %	Over IQD 50,000,000 and up to IQD 80,000,000
5 %	Over IQD 80,000,000 and up to IQD 110,000,000
6 %	Over IQD 110,000,000

10.9 Withholding on Contracts

All entities dealing with a contractor must withhold an amount of tax calculated on the gross value of the contract, either a 2.4% tax rate for a supply contracts (supply of materials, equipments, etc.) or a 2.7% tax rate for services contract. This withholding on contracts will be credited against either the Corporate Income Tax or Individual Income Tax to be paid by the person subject to this tax.

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Notes